

# CHARTER OF THE NOMINATION AND COMPENSATION COMMITTEE OF VAT GROUP AG

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PASSION. PRECISION. PURITY.

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# 1. Principles

On the basis of Article 716 OR, the Ordinance against Excessive Remuneration in Listed Stock Corporations (“VegüV”), Art. 16 of the Articles of Association and the Organizational Regulations of VAT Group AG (“**Company**”), the Board of Directors (“**Board**”) hereby issues the following regulations (“**Charter**”) concerning the duties and the organization of the Nomination and Compensation Committee (“**NCC**”).

# 2. Purpose

The annual general meeting of shareholders (“**General Meeting**”) annually elects the members of the NCC. The NCC combines the functions of a nomination committee and a compensation committee in line with the recommendations of the “Swiss Code of Best Practice” of Economiesuisse. Its mission is to support the Board in the performance of its duties.

# 3. Authority

The NCC shall have the authority and resources to take any and all acts that it deems necessary to carry out its purpose and to discharge its duties and responsibilities pursuant to this Charter.

The NCC shall have the sole authority to mandate any compensation consultant or executive recruiter to advise or assist in the performance of its duties and shall have sole authority to approve the consultants’ fees and other retention terms. The NCC shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

With respect to matters of relevance to the NCC, the Chairman of the NCC shall have:

- (a) full access to, and the ability to communicate with the management;
- (b) full, free and unrestricted access to any information or document it requires from the management as well as the external advisors of the Company.

The NCC shall obtain appropriate funding, as determined by the NCC, to support its activities, including for payment of the independent compensation consultants and external advisors.

## 4. Composition

The NCC shall consist of at least three members of the Board. The members of the NCC shall be elected individually by the ordinary General Meeting for a term of office until completion of the next ordinary General Meeting. Members of the NCC whose term of office has expired shall be immediately eligible for re-election. Once its members have been elected, the Board of Directors appoints the Chairman of the NCC. If there are vacancies on the NCC, the Board shall appoint substitutes from amongst its members for the remaining term of office.

The majority of members of the NCC shall be independent of the Company, shall have no material relationship to the Company and shall otherwise meet the independence standards required by applicable law, regulation and listing requirements. In particular, no member of the NCC shall have been employed by the Company during the last two years as a general rule. Exceptions can be made from the Board of Directors.

All members of the NCC shall have basic knowledge in the field of succession planning, assessment, nomination and remuneration of members of the Board and executives.

## 5. Organization

The NCC shall hold an ordinary meeting at least three (3) times a year. Special meetings may be convened as required. The invitation must be issued in writing (incl. per email) at least ten (10) working days before the meeting and includes the day, time and location of the meeting and the agenda items. The supporting documents need to be made available to the NCC members at least seven (7) calendar days prior to the respective meeting.

It is allowed to deviate from this timeline and to work on shorter deadlines in case of urgent matters. The definition of whether a matter is urgent lies with the Chairman of the NCC. In the presence of all NCC members, and conditionally upon their unanimous agreement, it is also allowed to deviate from the written formalities, namely to vote on matters that were not included in the agenda items of the meeting.

Meetings by means of electronic communication (telephone, Skype, WhatsApp, etc.) are also possible. The provisions governing attendance meetings shall apply *mutatis mutandis*.

The Chairman of the NCC may invite the Chairman of the Board and the CEO to attend the NCC meetings in an advisory capacity. The NCC Chairman may invite to its meetings other Board members, other Group Executive Committee members or other members of the management or such other persons the NCC deems appropriate in order to carry out its duties. The NCC shall exclude from its decisions anyone with a personal interest in the matters to be discussed.

The Chairman of the NCC or – in the event of incapacity – another member of the NCC chairs the meeting. The Chairman of the NCC determines the secretary.

The NCC may pass resolutions if a majority of its members are present (at least two members). Abstentions are not taken into consideration to determine the required majority. Resolutions are passed by a majority of the votes cast. In the event of a tied vote, the Board of Directors shall cast the deciding vote.

The Chairman of the NCC shall report at the next ordinary Board meeting on the NCC decisions, determinations, approvals, findings and other matters the NCC deems appropriate or the Board requests. Minutes of the NCC meetings must be taken and signed by the Chairman of the NCC and its secretary. The minutes must be approved by the NCC (usually at its next meeting) and must be circulated to all members of the Board once approved.

## 6. Roles and duties

The NCC has the following powers and duties:

- (a) Periodical review of the Company's compensation policy and principles related to members of the Group Executive Committee.
- (b) Preparation of all relevant decisions of the Board in relation to the nomination and compensation of the members of the Board and of the Group Executive Committee as well as submission of proposals and recommendations to the Board.

The Board may delegate further powers and duties to the NCC with respect to nomination and compensation and related matters. The overall responsibility for the duties and powers transferred to the NCC shall in principle remain with the Board.

### 6.1. NOMINATION MATTERS

The NCC has the following duties regarding **nomination matters to the Board of Directors:**

- (a) Proposals to the Board on the appropriate size and constitution of the Board as well as determination of the independence criteria for the Board members, considering that the Board should remain independent in its majority.
- (b) Annual review of the independency of the members of the Board and the committees and presentation of its assessment to the Board which shall decide conclusively.
- (c) Proposals to the Board of selection criteria for election to the Board and its committees.
- (d) Identification and assessment of potential candidates to positions on the Board based on the predefined criteria and recommendation to the Board regarding their election (resp. re-election) at the General Meeting.

The NCC has the following duties regarding **nomination matters to the Group Executive Committee:**

- (e) Proposals to the Board of selection criteria for nomination to positions on the Group Executive Committee.
- (f) Identification and assessment of potential candidates to the position of CEO based on the predefined criteria and recommendation to the Board regarding the nomination to – or the dismissal from – the position of CEO.
- (g) Review of the CEO's recommendations on nomination or dismissal of other members to the Group Executive Committee and respective proposals to the Board.
- (h) Review of the succession planning and emergency succession list for positions of the Group Executive Committee and respective proposals to the Board.

## 6.2. COMPENSATION MATTERS

The NCC has the following duties regarding **compensation matters**:

- (a) Proposals to the Board regarding the compensation strategy and system of the Company pursuant to the principles of Articles 25 and 26 of the Articles of Association, including the principles and design of compensation plans for the Group Executive Committee as well as long-term incentive/equity plans.
- (b) Support to the Board in preparing the motions to the General Meeting regarding the maximum aggregate compensation amounts of the members of the Board and of the Group Executive Committee.
- (c) Proposals to the Board regarding the individual compensation of the Chairman of the Board and the other members of the Board.
- (d) Proposals to the Board regarding the individual compensation and the terms of employment of the CEO. Review of the CEO's recommendations and proposals to the Board regarding the individual compensation of the other members of the Group Executive Committee, as well as their terms of employment, promotion or termination. This includes:
  - a. At the start of each performance period, proposal to the Board of performance objectives relevant for the incentive compensation plans applicable to the Group Executive Committee;
  - b. At the start of each performance period, proposal to the Board of the target compensation level and the mix of compensation (annual base salary, short-term incentive, long-term incentive) for the CEO and the other Group Executive Committee members;
  - c. At the end of each performance period, proposals to the Board on the evaluation of the performance results under the incentive plans and on the respective amount of compensation earned by the CEO and the other members of the Group Executive Committee.
- (e) Proposals to the Board regarding amendments to the Articles of Association with respect to the compensation provisions applicable to the members of the Board and of the Group Executive Committee.
- (f) Preparation of the compensation report and proposal to the Board for approval.

## 6.3. GOVERNANCE OF THE NCC

The NCC has the following **other duties**:

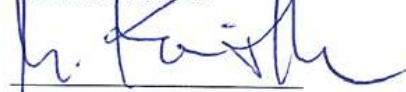
- (a) Proposals to the Board regarding external additional mandates pursuant to Article 23 of the Articles of Association and further additional occupation of the members of the Board and of the Group Executive Committee.
- (b) Establishment of an annual calendar of activities for the upcoming year, including special projects to be undertaken by the NCC.
- (c) Annual review and reassessment of the adequacy of this Charter and proposals regarding any changes to the Board.
- (d) Annual self-evaluation of the NCC performance.
- (e) Other responsibilities assigned to the NCC by law, the Articles of Association and by the Board.

## 7. Concluding provisions

This Charter was approved and adopted by the Board at its meeting of December 19, 2018 and shall come into effect at that date and replaces the NCC Charter dated October 27, 2016.

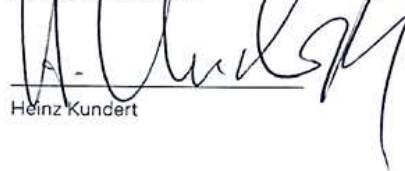
Haag, December 19, 2018

Chairman of the Board



Martin Komischke

Member of the Board



Heinz Kundert

## 8. Appendix I: standard meeting schedule and agenda items

Date	February	August	December
<b>Nomination items</b>	<ul style="list-style-type: none"> <li>- Review of external mandates of Board members and members of GEC</li> <li>- Review independence criteria for Board members and review independence of current (and future) Board members</li> </ul>	<ul style="list-style-type: none"> <li>- Review selection criteria for appointments to Board</li> <li>- Identification and assessment of candidates to Board</li> <li>- Review selection criteria for nominations to GEC</li> <li>- Review succession planning GEC and Group Management Board (GMB)</li> </ul>	<ul style="list-style-type: none"> <li>- Identification and assessment of candidates to Board</li> </ul>
<b>Compensation items</b>	<ul style="list-style-type: none"> <li>- Final review and approval of compensation report (including tables)</li> <li>- Final performance evaluation GEC (previous year)</li> <li>- Determination of STI payout GEC (previous year)</li> <li>- Determination of LTI vesting (previous performance period)</li> <li>- Determination of compensation of the Board for next year of mandate</li> <li>- Preparation of maximum aggregate compensation amounts of Board and GEC to submit to vote at next General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Review of overall compensation strategy</li> <li>- Review of reports of proxy advisors and shareholders' feedback (General Meeting) and decision on potential changes to the disclosure approach in the compensation report</li> </ul>	<ul style="list-style-type: none"> <li>- Review and approval of compensation report (text, without tables)</li> <li>- Determination of target compensation for GEC for coming year (base salary, target bonus, target LTI)</li> <li>- Objective setting GEC for coming year (STI and LTI plans)</li> </ul>
<b>NCC governance</b>			<ul style="list-style-type: none"> <li>- Self-evaluation</li> <li>- Review NCC Charter</li> <li>- Approve NCC meeting schedule for following year</li> </ul>

# Contact

This Technology Committee Charter is available in English and German.

For further information please contact:

VAT Group AG

Seelistrasse 1

9469 Haag

T +41 81 771 61 61

[www.vatvalve.com](http://www.vatvalve.com)

Corporate Communications & Investor Relations

Michel R. Gerber

T +41 81 772 42 55

[investors@vat.ch](mailto:investors@vat.ch)



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